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Active Member Edition

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## From the Director

### *Pre-Tax Treatment of Health Care Costs*

As an active employee, you may have your state health insurance premiums and medical spending account contributions payroll deducted on a pre-tax basis. Retired employees, however, are not allowed to do so through their retirement checks.

Earlier this year, the South Carolina Retirement Systems began supporting national efforts that call upon the President and Congress of the United States to modify the federal Internal Revenue Code (IRC) so that retirees may pay for health insurance premiums and other medical expenses on a pre-tax basis just as active employees.

At our request, the State Budget and Control Board adopted a resolution urging the South Carolina General Assembly to memorialize the United States Congress to modify the federal IRC to effectively end the longstanding inequity of retirees not being allowed to use pre-tax dollars to pay health insurance premiums and health care costs. A concurrent resolution doing just that was introduced in the South Carolina House of Representatives and adopted by the South Carolina General Assembly April 24, 2003.

The approximately 90,000 retirees covered by the Retirement Systems currently deduct \$57 million in health insurance premiums from their retirement annuities, after-tax. On a larger scale, there are some 300,000 South Carolina households receiving a retirement benefit from all sources who could benefit from modification of the IRC.

Since modification of the IRC would directly and positively affect our members, the Retirement Systems will continue to support efforts to allow retirees to pay their health insurance premiums and other health care costs with pre-tax dollars.

Looking for us on the Web? Try our new address at  
[www.retirement.sc.gov](http://www.retirement.sc.gov)!

### *Installment Service Purchase Program Rate Changes*

The interest rate for the Installment Service Purchase Program dropped to 6.25 percent effective July 1, 2003.

The 6.25 percent rate applies to new accounts activated July 1, 2003, through June 30, 2004.

The Installment Service Purchase Program allows active contributing members to establish eligible service credit through installment payments. For more information, contact Customer Services at 1-800-868-9002, 803-737-6800, or [cs@retirement.sc.gov](mailto:cs@retirement.sc.gov).

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# Retirement Legislation Update

## *State ORP Eligibility Expanded, SC Retirement Systems Claims Procedures Act Established*

### **State ORP Eligibility**

**(House Bill 4008)**

**(Ratification No. 176)**

**(Act No. 77)**

This legislation resulted in the following changes to the State Optional Retirement Program (State ORP) effective July 1, 2003:

- Eligibility for membership is expanded to include part-time and temporary employees. Previously, only permanent, full-time employees were eligible for State ORP membership.
- Former State ORP members who join the Police Officers Retirement System (PORS) may establish their State ORP service in PORS. Previously, only former State ORP members who joined the South Carolina Retirement System (SCRS) had the option to establish their State ORP service.
- State ORP service purchased by a former State ORP member who subsequently joins (SCRS) or (PORS) is considered earned

service. Earned service counts toward the five-year minimum service requirement for eligibility to receive a service or disability retirement annuity, or to qualify a survivor for a monthly annuity after an in-service death.

- New employees must enroll in either SCRS or State ORP within 30 days from their date of hire unless hired in a temporary position that is eligible for non-membership.
- During the annual open enrollment period (January 1 to March 1), a State ORP member may change investment providers and/or irrevocably switch to SCRS if the member has between one and five years of State ORP service.
- State ORP participants who previously participated in the Higher Education ORP (including technical colleges) may irrevocably elect to participate in SCRS during January 1 to March 1, 2004, with an April



1, 2004, SCRS membership effective date.

### **Claims Procedures Act**

**(Senate Bill 340)**

**(Ratification No. 33)**

**(Act No. 12)**

The South Carolina Retirement Systems Claims Procedures Act provides remedies available in a dispute or controversy between the Retirement Systems and a member or a designated beneficiary of a member of any of the retirement systems established in Title 9 of the SC Code of Laws. Please see article on page 3 for more information.

### **Eligibility for PORS Membership Extended**

Legislation enacted during the 2003 session of the South Carolina General Assembly allows an employee of the South Carolina Department of Corrections, the South Carolina Department of Juvenile Justice, or the Department of Mental Health whose assigned work location is one of the correctional facilities of the Department of Corrections or Department of Juvenile Justice to become a member of the Police Officers Retirement System (PORS) based on the employee's job-related duties.

### **Education Department's Annual Exemption Continued**

A proviso included as part of the FY 2004 Appropriations Act continued the South Carolina Department of Education's annual earnings limitation exemption for retired South Carolina Retirement Systems members who return to work.

The exemption from the earnings limitation applies to retired educators hired as teacher specialists, principal specialists, principal leaders, or curriculum specialists hired by public school districts in a geographical or academic critical needs area.

# Claims Procedures Act Established

This year, the South Carolina General Assembly created a more efficient and fair dispute resolution process by enacting the South Carolina Retirement Systems Claims Procedure Act. The Act was signed into law by Governor Mark Sanford. The State Budget and Control Board (Board) then enacted a new claims procedure as of July 1, 2003, to implement the Act.

The Act sets out a one-year statute of limitations, limits retroac-

tive relief to one year, and prohibits class action lawsuits.

The Board's claims procedure provides that the administrative decisions of the Retirement Systems are reviewed *de novo* by the Administrative Law Judge Division. *De novo* means that the Administrative Law Judge will conduct a trial with witness testimony and evidence rather than a mere review of the agency record. The Circuit Court, the Court of Appeals, and ultimately, the South Carolina Supreme Court,

may review the Administrative Law Judge Division's decision.

The new claims procedure provides an efficient and less costly mechanism for resolving disputes while still affording members due process. The procedure applies also to disputes between a member's designated beneficiary and the Retirement Systems.

An outline of the claims procedure is below.

## Administrative Decisions

Claimant makes written appeal to Director of Retirement Systems within one year of administrative decision



Claimant is afforded opportunity to present claim in writing to Director for review



Director makes Final Agency Determination



Director's decision is final decision of Retirement Systems and State Budget and Control Board



Claimant files request for contested case hearing with Administrative Law Judge Division within 30 calendar days after receipt of Retirement Systems' final decision to seek review of Retirement Systems' Final Agency Determination

## Disability Retirement Decisions

Initial review by Disability Determination Provider and Retirement Systems' Medical Board of member's application for disability retirement benefits



If disability claim is denied, member may request in writing a reconsideration within 30 days from receipt of denial



Member's disability claim is sent to Disability Determination Provider for further information development, reevaluation of claim, and recommendation to Retirement Systems' Medical Board



If Retirement Systems' Medical Board denies claim, member may make written appeal to Director of Retirement Systems within 30 calendar days of receipt of decision



Director forwards claim to Vocational Consultant appointed by Director for review, conference, and recommendation



Director makes Final Agency Determination



Director's decision is final decision of Retirement Systems and State Budget and Control Board



Claimant files request for contested case hearing with Administrative Law Judge Division within 30 calendar days after receipt of Retirement Systems' final decision to seek review of Retirement Systems' Final Agency Determination

This outline is not inclusive. For more detailed information, contact Customer Services at 1-800-868-9002, 803-737-6800, or [cs@retirement.sc.gov](mailto:cs@retirement.sc.gov). You may also download the claims procedure from our Internet Web site at [www.retirement.sc.gov](http://www.retirement.sc.gov).



## Kudos

### Retirement Systems Receives NAGDCA Leadership Award

The South Carolina Retirement Systems has received the 2003 Leadership Recognition Award in the Communications category from the National Association of Government Defined Contribution Administrators (NAGDCA).

The Retirement Systems' State Optional Retirement Program and Investment Education project garnered the award.



### Retirement Systems Earns 16<sup>th</sup> GFOA Certificate of Achievement

The South Carolina Retirement Systems has earned its 16<sup>th</sup> consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA).

The Retirement Systems received this year's award for its *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2002.

The award-winning CAFR can be viewed and/or downloaded from our Internet Web site at [www.retirement.sc.gov/docs/pubs/cafr2002.pdf](http://www.retirement.sc.gov/docs/pubs/cafr2002.pdf).

## Still Working After All These Years

The year was 1951; a time when the South Carolina Retirement Systems was only six years old. It's also when a young 18-year-old lady began a career with the Retirement Systems that continues today.

Jayne Edge, or "Ms. Jayne" as she is affectionately known among her coworkers, began working at the Retirement Systems December 3, 1951, after graduating from St. Matthews High School.



"Ms. Jayne"

In 1951, Ms. Jayne was one of 25 employees. She remembers when the Retirement Systems used rotary phones. "Everyone didn't have a phone. We had to share," said Ms. Jayne.

Also in use circa 1951 were metal posting machines for transferring year-end transactions, manual typewriters and calculators, all of which were Army surplus green.

Ms. Jayne said the first wave of technology came in the 1970s and included the use of Social Security numbers to track member information, a fiche file for storing member information, and the first of what would be many computers through the years.

On January 3, 1996, after 44 years of full time employment with the Retirement Systems, Ms. Jayne retired. She didn't stay away for long, though, because she received a personal invitation from the Service Accounting Department to re-

turn to work as a temporary employee in February of that same year. "I asked to be able to try retirement for two weeks and then

returned to work. After all, it beats shopping as a hobby! I have always had good supervisors and have always liked what I do," said Ms. Jayne.

Ms. Jayne has many fond memories of her years at the Retirement Systems, and so do we. In fact, just so you'll know, Ms. Jayne does an impression of Ethel Mertz from the "I Love Lucy" show that is right on the mark!

#### State Budget and Control Board

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